



**Director of  
Central  
Intelligence**

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# National Intelligence Daily

**Thursday  
26 February 1987**

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**ARGENTINA:****Anti-Inflation Measures Announced**

***Argentine Economy Minister Sourrouille last night calmed fears of a debt moratorium by implementing stopgap measures to halt inflation and spur growth.*** [redacted]

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In his speech, Sourrouille announced a two-month price freeze and a wage increase that would be followed by a five-month wage freeze. He announced a 7-percent devaluation of the austral, the reduction of monthly minimum official interest rates by one-half, and a hike in gasoline prices and public utility rates. [redacted]

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Sourrouille hopes for immediate international support to lend credibility to his program, ~~according to the US Embassy~~. More important, he seeks a bridge loan from official creditors to ease his dangerously low foreign reserves situation. [redacted]

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**Comment:** Public dissatisfaction with President Alfonsin's economic policies has increased in recent months, and rising inflation—prices increased 7.6 percent in January—coupled with widespread currency speculation led Buenos Aires to announce its new program. The move quells speculation that Argentina would follow Brazil in declaring a debt moratorium and strengthens Treasury Secretary Brodersohn's position during talks with commercial creditors today. The measures should foster growth and stability for the short term, but the program is primarily stopgap and does little to address the causes of Argentina's chronic current accounts deficits. [redacted]

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The new program represents a big political gamble for Alfonsin and his ruling Radical Party with a national election scheduled for October. The public will probably adopt a wait-and-see attitude, but labor and the opposition Peronists are likely to denounce the move as a sellout to the foreign banks. If the program unravels or if international bankers fail to provide sufficient money quickly to generate growth, political pressure for a moratorium will almost certainly mount. [redacted]

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**IRAQ-USSR:****Foreign Minister's Moscow Visit**

***Iraqi Foreign Minister Aziz received a much warmer reception in Moscow during a quickly arranged visit last week than did his Iranian counterpart two weeks ago.***

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Late last week Aziz met with Foreign Minister Shevardnadze, President Gromyko, Premier Ryzhkov, and foreign relations economic expert Katushev—the same officials who met with Iranian Foreign Minister Velayati the week before. The Soviet press said the talks were friendly and candid, with a “businesslike” exchange of opinions on bilateral relations.

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~~The press offered support for an Iraqi initiative at the UN by stressing the UN's role in negotiating a settlement to the Iran-Iraq war.~~

Gromyko also repeated his indirect warning to Iran about the responsibility borne by those who spurn efforts aimed at a peaceful settlement, but there was no mention in the press of sanctions or other strong measures likely to offend Iran. Aziz reportedly told Arab diplomats that the Soviets had agreed to keep arms support to Iraq at present, or higher, levels.

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**Comment:** The press coverage contrasts sharply with the Soviet treatment of the Iranian visit and has been warmer than the treatment Aziz received during earlier visits. The differences in viewpoint suggested by the references to candid, businesslike talks may have concerned Soviet financing of Iraq's arms purchases or Baghdad's longstanding repression of the Iraqi Communist party.

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~~Recent strains in Iraqi-US relations have removed at least one cause for earlier coolness in Soviet-Iraqi relations. The USSR may also believe that, because of Iran's continued truculence and the recent assault on Al Basrah, more support for Iraq is appropriate at this time.~~

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~~The Iraqis appear generally satisfied with Soviet support for their UN initiative even though Moscow avoided public discussion of sanctions.~~ Besides the assurances of continued Soviet support to Iraq in its war with Iran, the talks may have dealt with replacement of recent Iraqi aircraft and armor losses. The Iraqis may also have asked Moscow to help reduce East European arms shipments to Iran.

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**CUBA-ANGOLA:****Cuban Military Activity**

*Cuba's military contingent in Angola has been reinforced during the past year, and elements of its forces there have been redeployed, possibly to newly threatened positions in northern Angola.*

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Some Cubans probably also have arrived to man additional air and air defense equipment supplied by Moscow over the past year.

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Cuban troops that had been guarding important transportation routes and a provincial center in north-central Angola have abandoned their garrisons in the last few months.

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**Comment:** Some 1,600 additional Cubans probably have arrived since late 1985, bringing the total number of Cuban military forces in Angola to about 37,500 men. The new arrivals, apparently sent to strengthen defenses at important military and economic facilities, underscore Havana's commitment to the Angolan Government's security needs. The Cuban units that redeployed may have moved to the far north to guard positions and free Angolan Government troops for field operations in a region where insurgent activity has been increasing.

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**IRAN-IRAQ: Little Change in Military Situation**

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Fighting continues east of Al Basrah as Iran tries to consolidate a 200-meter gain near the village of Jasim.

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**Comment:** Iran so far has only marginally improved its position near Jasim. Any further advance there would probably require more men and equipment. Iraq has improved its defenses in the past few weeks by building a series of berms between the Jasim River and the main Iraqi defensive line 4 miles (7 kilometers) to the west. Iraq still has three divisions—70,000 men—in this area but probably will not launch a major counterattack unless Iranian forces threaten to breach the Iraqi frontlines.

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**OPEC: Trying To Prevent Price Slide**

Oil Ministers of the Gulf Cooperation Council states held an emergency meeting in Doha last weekend—the second in 10 days—

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Revised figures

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indicate OPEC crude production in January was 17.1 million b/d, 1.3 million b/d above the current ceiling. Kuwait, the UAE, and Qatar accounted for much of the excess. Kuwait exceeded its quota by 400,000 b/d. Spot prices now are more than \$2 below OPEC's official target of \$18 per barrel.

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**Comment:** Kuwaiti overproduction last month occurred without undercutting official prices and probably was an attempt to increase revenues. Saudi Arabia is strictly complying with its quota, however, and Saudi Oil Minister Nazir is furious about cheating—particularly by Kuwait. Nazir probably received assurances at the latest meeting in Doha that Gulf producers would immediately curb production. The Saudis may tolerate a modest fall in output, but Riyadh is not willing to play again the role of swing producer. As a result, prices will slide if other members continue to exceed their production quotas.

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**SOUTH KOREA: Opposition Politics**

Kim Dae Jung, the leader of one faction of the opposition New Korea Democratic Party, will support the bid of Kim Young Sam, the leader of a rival faction, for the presidency of the party at a national caucus in May, according to their joint press statement this week.

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A contact of the US Embassy says that the party's current president, Lee Min Woo, still favors seeking political reforms in exchange for backing the government's parliamentary proposal.

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**Comment:** Despite his newly designated candidacy, Kim Young Sam must maintain Kim Dae Jung's backing. By taking a hard line against party renegades, the two probably hope to stem internal challenges to their leadership. They may also want to solidify their grip on the party before the spring, when it plans to hold a series of human rights rallies that will heat up the political atmosphere. By undermining Lee's position in the party, the two Kims almost certainly hope to undercut his ability to rally other party members who oppose their hard line on constitutional revision and may want to compromise with the government.

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**UK: Parties Jittery Over Byelection**

Conservative and Labor strategists in the UK are worried about the possibility of an upset victory by the Social Democratic-Liberal Alliance in today's byelection in the Greenwich borough in southeastern London. According to local polls, the Alliance is closing on Labor, which has held the seat since 1945. The Tories are a distant third.

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**Comment:** The Labor Party is worried that a defeat or even a narrow win might convince voters that Labor cannot possibly gain enough seats in the next general election to obtain a parliamentary majority. The Tories fear that a victory by the Alliance would boost it enough before the general election to threaten some Tory seats. Tory leaders also are increasingly wary of so-called tactical voting, whereby Labor cooperates with Alliance candidates to prevent Tory majorities.

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**ITALY: Transition Politics Heating Up**

Italian Prime Minister Craxi will come under strong pressure to clarify his intentions about handing over his office to a Christian Democrat this spring when he meets with Christian Democratic Party head De Mita today and with all the leaders of the five-party governing coalition on Saturday. The Christian Democrats demanded these meetings after Craxi said last week that implementation of the transition agreement was improbable. A senior Christian Democratic leader told the US Embassy that his party may pull out of the government if Craxi does not make a firm commitment to go ahead with the transition.

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**Comment:** Craxi wants to scuttle the transition accord, but he will probably equivocate in the meetings with his coalition partners because he does not want to take the blame for breaking up the coalition. He will probably go no further than reiterating his pledge to support a Christian Democratic-led government, provided the coalition reaches a new accord on programs and personnel. The Christian Democrats strongly suspect that Craxi intends to impede such an accord and thus will press strongly for an unambiguous commitment in order to place the onus for any early election squarely on him.

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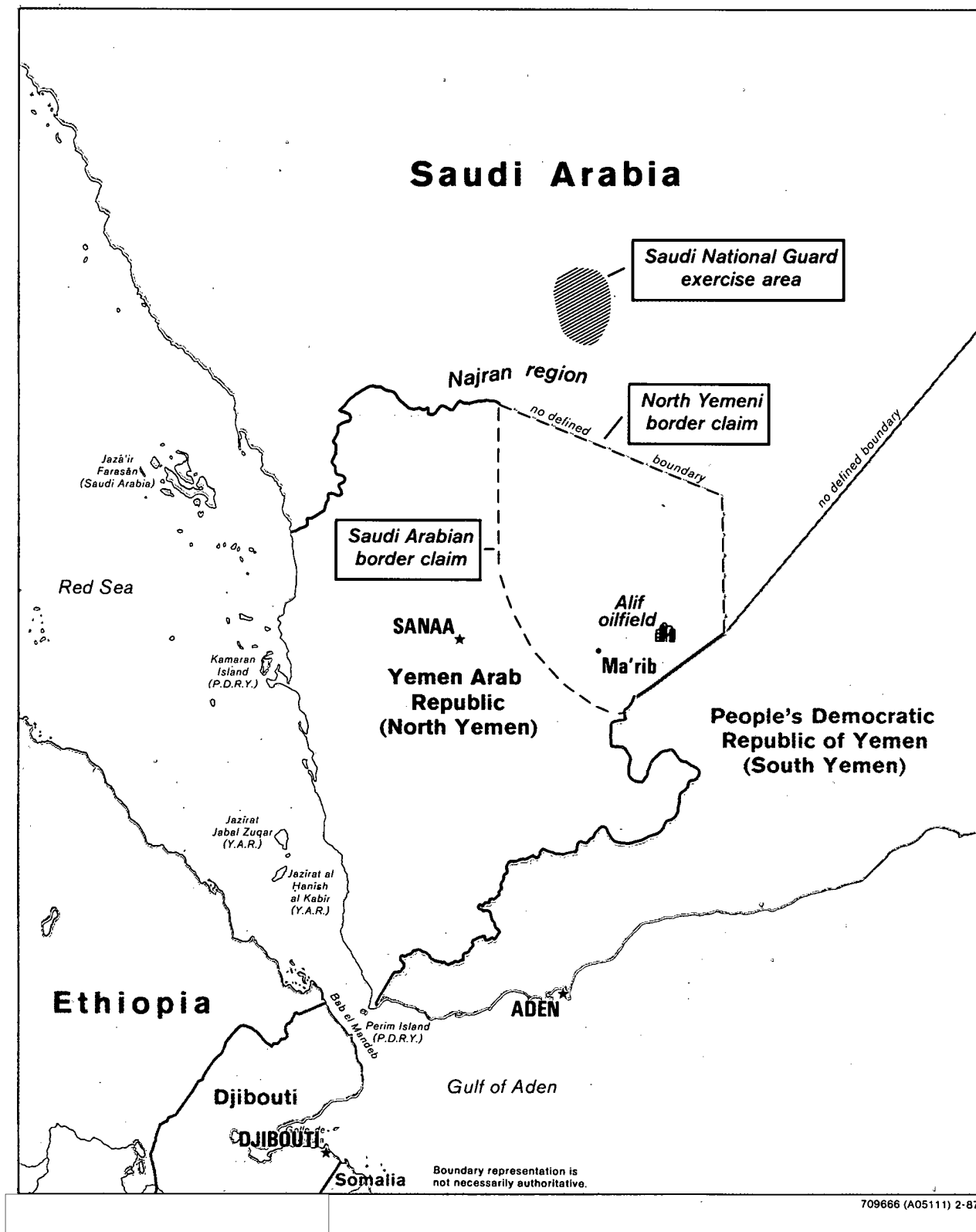
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**Saudi-North Yemeni Border Tensions**

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**SAUDI ARABIA-NORTH YEMEN: Border Tensions Persist**

Border clashes are contributing to worsening relations between Saudi Arabia and North Yemen. [redacted] serious fighting early this month between tribesmen on both sides of the border over land and water rights prompted the Saudis to move security forces into the area. According to the US Embassy in Sanaa, Saudi border troops briefly occupied a village in North Yemeni territory, and the US defense attache in Riyadh reports that the Saudis will soon begin a National Guard exercise in the Najran region, originally scheduled for mid-March. Meanwhile, the Embassy says North Yemeni President Salih is strengthening military forces in the Ma'rib area and has traveled to the region to confer with military commanders and tribal shaykhs. [redacted]

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**Comment:** Further clashes are likely but probably will not lead to a major military confrontation between North Yemeni and Saudi forces. Even so, the incidents are likely to increase the strains between Riyadh and Sanaa and raise the level of public recrimination. Salih's visit to the Ma'rib area is intended to shore up North Yemeni military and tribal support and to signal Riyadh that he is committed to the security of the oilfields. [redacted]

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**CANADA: Controversial New Refugee Policy**

Changes in Ottawa's policy on would-be refugees may increase problems at Canadian-US border crossings. The modifications are designed to stem the influx of individuals claiming refugee status, the number of which has grown from about 300 per week last year to nearly 1,000 per week in recent months. The majority of recent applicants are Central Americans coming from the US who fear deportation when the new US immigration law takes effect this summer. Ottawa's new regulations require these individuals to wait in the US pending a hearing in Canada. [redacted]

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**Comment:** Canadian human rights groups critical of the new policy contend the US might deport would-be refugees before their cases are heard in Canada. The issue is full of pitfalls for the government because Canadians see their country as a moral leader and Canadian media usually portray Central American immigrants as victims of US policies. Opponents of the restrictions will probably stage demonstrations at border crossings and may begin to cooperate with US groups that aid illegal Central American immigrants. [redacted]

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**SYRIA-CHINA: Request for Nuclear Weapons**

Syria has tried to purchase nuclear weapons from China, according to a reliable source of the US defense attache in Hong Kong. A Syrian official contacted an established Chinese arms dealer last week requesting two to four nuclear weapons that could be delivered by aircraft or missile. A letter from Syrian President Assad reportedly accompanied the inquiry. The arms dealer refused the request and told the Syrians that China does not deal in the sale or transfer of nuclear weapons.

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**Comment:** The reported Syrian request, [redacted] would represent a violation of the spirit but not the letter of the Non-Proliferation Treaty, which Syria has signed. Syrian Vice President Khaddam visited China last month and may have delivered Assad's letter. Damascus has long sought a credible deterrent against Israel, principally by developing a capability to produce its own chemical weapons, but recent press accounts alleging that Israel has a large stockpile of nuclear weapons may have prompted the Syrian request to China. Beijing has pledged not to provide nuclear weapons to any state, and other countries with nuclear weapons also are unlikely to give such weapons to Syria.

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**TAIWAN: Personnel Changes in Party**

Taiwan President Chiang made several changes in the senior leadership of the ruling Kuomintang yesterday. The anticipated replacement of party secretary General Ma was not made, however, and aged party functionaries still dominate the party's top ranks. Those promoted yesterday by and large are younger party members who support Chiang's efforts to reform Taiwan's political system.

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**Comment:** Long rumored, the changes probably mark the beginning of major personnel shifts in the ruling party. The promotion of younger members of Chiang's brain trust to more influential positions in the party may be an attempt to circumvent old timers and to push through additional political reform measures. Although Chiang may still decide to replace Ma in the near future, he will probably wait until a full party congress is convened, possibly next November, to make additional changes in the party's top echelon.

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**In Brief***26 Feb.***USSR**

— **USSR** conducted nuclear test ~~today~~ at Degelen Mountain test area  
 ... Tass describes test as physics experiment with yield of less  
 than 20 kilotons ...

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**Americas**25X1  
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— **Cuba** hosting Foreign Minister, business delegation from **Uruguay**  
 on 5 March, according to press ... Havana hopes **South America**  
 will replace its declining trade with industrialized West, Japan ...  
 trade potential limited by Cuba's lack of hard currency.

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**Europe**

**Yugoslavia** to reveal previously secret economic legislation ~~today~~,  
~~according to US Embassy~~ ... probably desperate effort to restrain  
 demand, curb inflation, boost exports ... unpopular wage and  
 price controls likely.

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**Middle East**

— Student unrest in **Tunisia** entering third week, despite arrest of  
 student leaders, threats of more crackdowns. ~~Tunis blaming~~  
 Islamic extremists; ~~US Embassy says~~ leftists ~~also~~ involved ... both  
 sides taking hard lines, unrest likely to grow.

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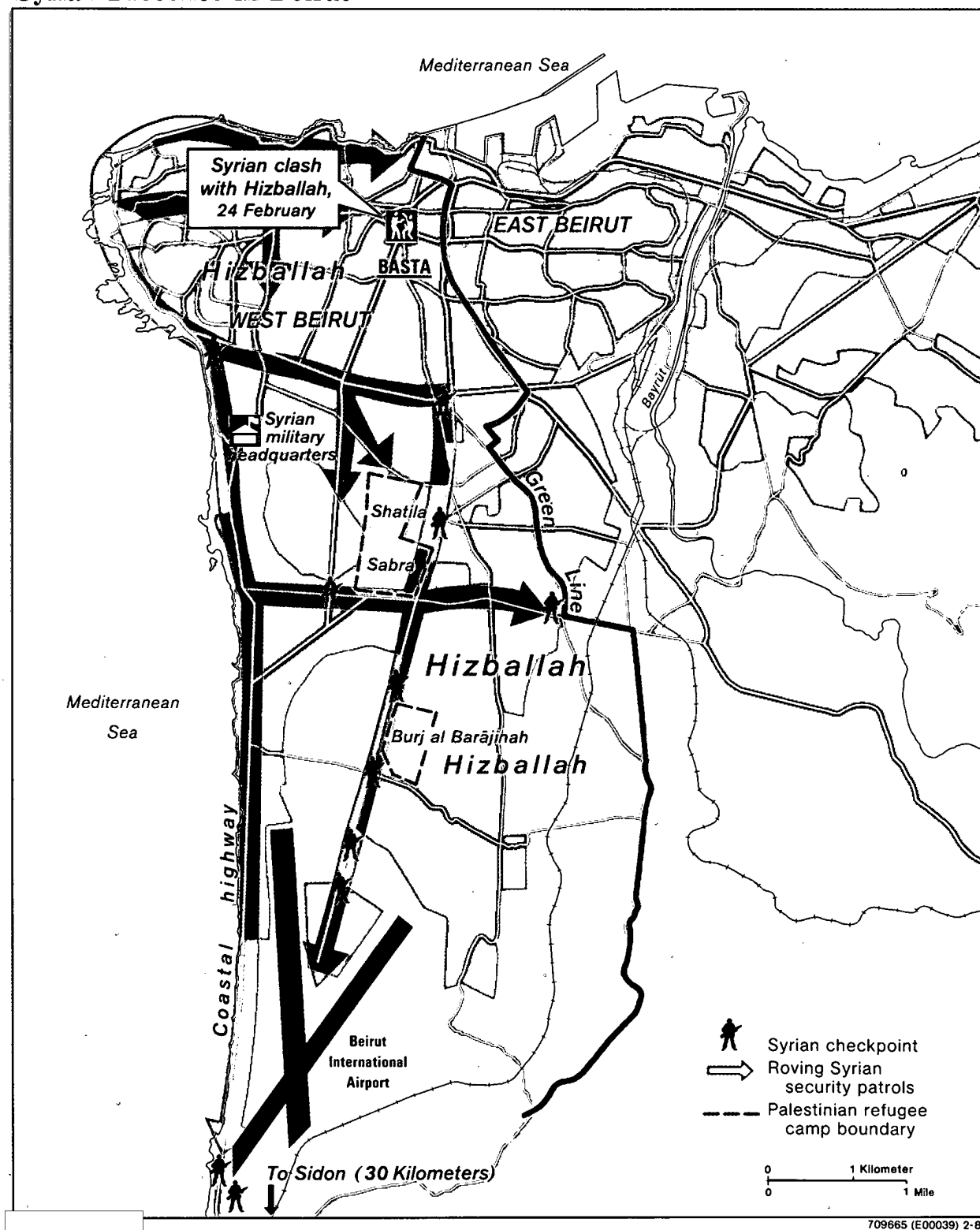
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**Syrian Presence in Beirut**

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**Special Analysis****SYRIA-LEBANON:****Damascus Gambles in West Beirut**

***Syrian President Assad recognizes that he embarked on a high-risk venture last weekend by deploying about 5,000 troops into West Beirut and additional units to the mountains nearby, but he probably believes that ignoring West Beirut now would have led to an unacceptable erosion of Syria's influence in Lebanon. Although the newly arrived Syrian troops have not yet encountered significant opposition, they are likely to be drawn into limited firefights and may respond with disproportionate violence to discourage other challengers.***

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Assad almost certainly had misgivings about the deployment, but he probably saw little alternative. Amal had been unable to rout Palestinian resisters from the refugee camps and was facing a growing coalition of opposing forces sympathetic to the Palestinians, including Druze fighters and previously dormant leftist militias. In addition, the increased autonomy and militancy of Hizballah clearly threatened Syria's remaining influence in West Beirut.

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**Syrian Motives**

Assad's primary goals in West Beirut are to demonstrate support for Amal and to get the militias off the streets. He probably also aims to block further Palestinian infiltration into West Beirut via the coastal highway or from the ports. He will try to confine the Palestinians to their camps but, to avoid international and particularly Arab censure, he will probably permit them to receive food and medical supplies.

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Assad is probably weighing the risks of sending troops down the coastal road toward Sidon, the PLO's main base of operations in southern Lebanon, but he is likely to postpone such a move until he is convinced that his troops have secured West Beirut. A deployment south would require additional troops and might provoke Israeli airstrikes—developments that Assad is not ready to face.

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Although Israel's reaction to the developments of last weekend has been muted, the Israelis have voiced concern about a possible—if unlikely—deployment of Syrian surface-to-air missiles west of the mountain range near Beirut because such a move would threaten Israeli reconnaissance overflights. Defense Minister Rabin also told US officials that Tel Aviv would be concerned about a Syrian deployment to Sidon. Although Assad will be unable to curb the PLO's reviving strength in southern Lebanon if he ignores Sidon, the Syrian President will probably focus primarily on West Beirut in coming weeks.

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**Showdown With Hizballah Possible**

The Syrians are avoiding the Hizballah-controlled neighborhoods in the southern suburbs of Beirut, at least for the moment, although they entered an isolated Hizballah neighborhood in the northern sector of West Beirut on Tuesday, killing about 20 Hizballah fighters. Syrian officials have said publicly that Lebanese Prime Minister Karami's request for Syrian intervention does not apply to the southern suburbs. Assad probably sought more control over Hizballah's activities in negotiations with Iranian Foreign Minister Velayati and Iranian Revolutionary Guard corps commander Rafiqdust in Damascus on Tuesday. [REDACTED]

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Assad probably hopes that Iran will eventually allow Syrian patrols to enter the southern suburbs as a nonconfrontational extension of his security plan. Syria's recent attack on Hizballah—and a car bombing yesterday that may have been aimed at Syrian troops in retaliation for their heavyhanded tactics—may have dashed any prospect for such an agreement and makes future clashes with Hizballah in the southern suburbs almost inevitable. If Assad were to order his troops into the suburbs without such an agreement, moreover, it would be his first public challenge to Iran's expanding influence in West Beirut and would probably provoke bitter fighting and risk ruptured relations with Tehran. [REDACTED]

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**Outlook**

Syria is unlikely to move into East Beirut. The Lebanese Christians, including President Gemayel, have publicly denounced Syria's actions but are unlikely to provoke a showdown. The Christian Lebanese Forces may again help the PLO to infiltrate through its ports just north of Beirut, however, to strengthen the PLO's forces in the refugee camps. Doing so would risk provoking Israeli naval interception, however, such as that which stopped earlier Christian aid to the PLO. [REDACTED]

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Assad could augment his troops in West Beirut, if necessary, with elements of a second brigade and additional special forces currently stationed in the mountains 16 miles (25 kilometers) east of the city. Although Syrian troops will forcefully oppose inevitable challengers in West Beirut, the international attention focused on their presence will probably restrain Assad from resorting to the kind of excessive violence that characterized Syrian troop activity in Tripoli, Lebanon, in recent years. With Syria's credibility at risk, however, Assad will not easily give in, so his troops probably face a long stay in West Beirut. [REDACTED]

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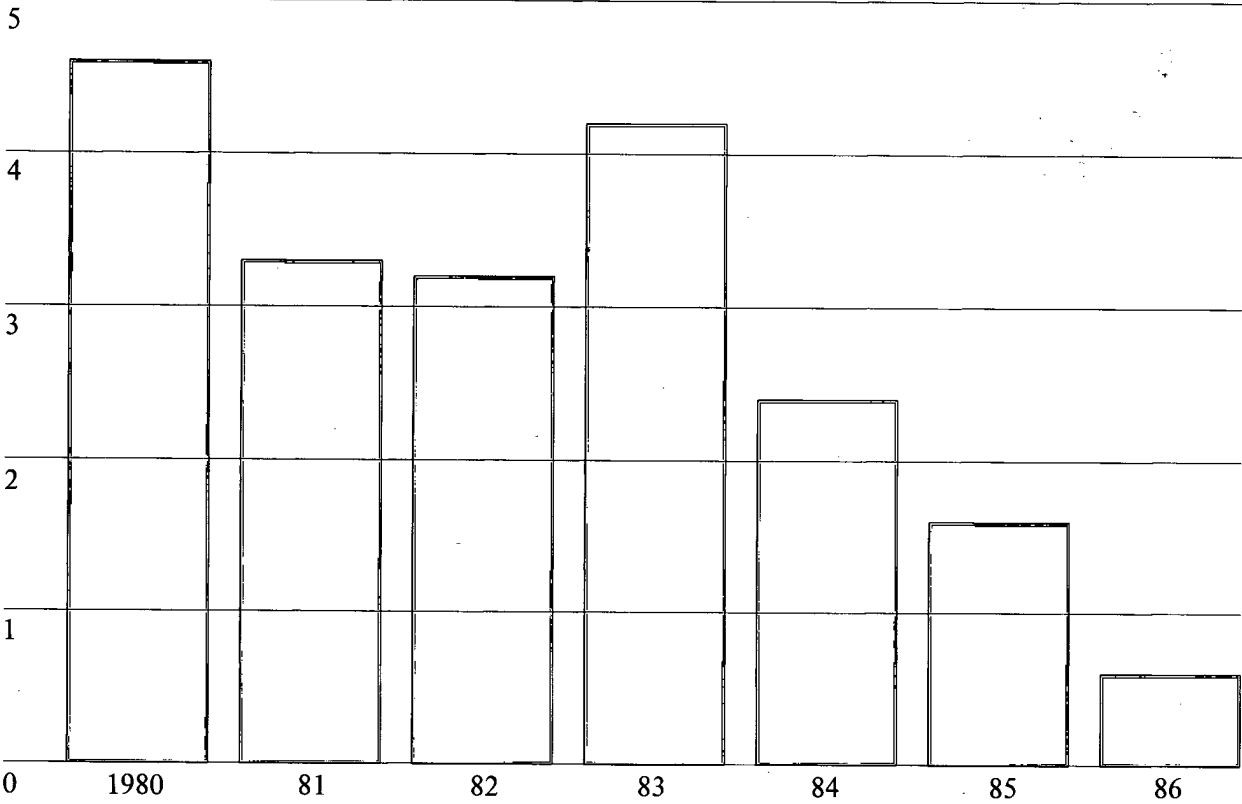
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Soviet Arms Deliveries to Syria, 1980-86<sup>a</sup>

Billion US \$



<sup>a</sup> Constant 1986 dollar value.

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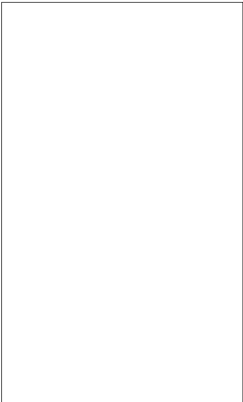
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Special Analysis

SYRIA-USSR:

Strains in the Relationship



**Syrian President Assad has postponed his planned visit to the USSR because of frictions with Moscow over the PLO, but he will send several military and economic delegations there in the next few months to discuss contentious political, economic, and military issues.**

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**Although the Soviets may press the Syrians harder than they have since 1980, Damascus is unlikely to make major political concessions.**

Syrian Army Chief of Staff Shihabi led a high-level Syrian military and economic delegation to Moscow last week

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Assad reportedly postponed his planned visit to Moscow he will send additional delegations to the USSR next month to work out problems

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Political Agenda

General Secretary Gorbachev is the fourth Soviet leader to have problems with Assad. Gorbachev's concerns stem from longstanding disagreements over several issues other than the Palestinians: what the Syrians need to attain strategic parity with Israel, the Arab-Israeli peace process, Moscow's commitment to Syria's defense, Arab unity, and mismanagement of the Syrian economy.

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Over the past several months, the PLO and Syria's economic problems have apparently become the main stumblingblocks in the relationship. The second-ranking Soviet diplomat in Damascus told a US official in January that Syria was heading for an economic crisis. Moscow is also concerned about Syria's continued support for Iran in the Gulf war.

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The Soviets are likely to protest against Syria's support for the split in the PLO and against the siege by Syria's ally, the Amal militia, on the Palestinian refugee camps in Lebanon. Moscow will also want to discuss Syria's current effort to impose order in West Beirut. At a minimum, Moscow will urge that Syria participate in talks with PLO leader Arafat.

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Assad probably does not want to meet with the Soviets now because he is preoccupied with the Syrian Army's occupation of Beirut, which is intended to crush the PLO presence there. He is probably also perturbed about speculation in Syria and Lebanon that Moscow may have encouraged attacks by the Druze and the Lebanese Communist militias on Amal last week. [REDACTED]

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### **Military Discussions**

A source of the US Embassy in Damascus reports that Shihabi successfully negotiated last week the rescheduling of Syria's debt to Moscow of \$7 billion to \$10 billion; new payments are to begin next year. Now Damascus will probably focus its efforts on pressing for more and better weapons—a more contentious issue for both countries. [REDACTED]

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The USSR seems to be reluctant to provide Syria with more weapons, however, probably because of concern about Syria's ability to absorb or pay for them. The level of Soviet arms deliveries to Syria last year was the lowest this decade. [REDACTED]

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[REDACTED] Although Syria is usually Moscow's first client in the Third World to receive advanced Soviet aircraft, it has not yet obtained the MIG-29 fighter, which has recently been exported to India and Iraq; it probably will get some later this year, however. [REDACTED]

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### **Outlook**

Moscow will probably not agree to all of Syria's arms requests. While the Soviets might agree in principle to supply some new advanced equipment, they are likely to drive a hard bargain before exporting any more T-72 tanks and SA-5 and SS-21 missiles or before delivering MIG-29 fighters. [REDACTED]

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Assad has consistently rebuffed Soviet advice on political issues, especially those concerning the PLO, and would probably consider only marginal political concessions, if any, to obtain more advanced arms. He is probably prepared to delay even further his visit to Moscow. [REDACTED]

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Moscow is also likely to continue its dialogue with Israel in part to remind the Syrians that it is not bound by Damascus's perspective. [REDACTED]

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